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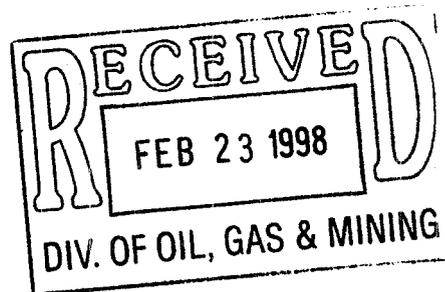


State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF WATER RIGHTS

Michael O. Leavitt
Governor
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Executive Director
Robert L. Morgan
State Engineer

Southeastern Area
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February 20, 1998



State of Utah Department of Natural Resources
Division of Oil, Gas & Mining
Attn: Joseph C. Helfrich, Permit Supervisor
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Re: Gooseberry, West Ridge, Exploration, Canyon Fuels Company, LLC, Skyline Mine,
ACT/007/005-97M, File #2 Carbon County, Utah

Copy Joe
File Exploration
File

Dear Joe:

I appreciate being copied on your correspondence to Mr. Manus, Area Manager for the BLM in Price on this project. I offer these brief comments in regards to this proposal. The drilling of exploration wells do not come directly under our regulations, but yours. However, Canyon Fuels will need a water right for the water they will use in the drilling process, road construction and maintenance, and the required reclamation work. In the past, they have contacted us and had everything in order prior to any work proceeding. They have also contacted our office when a Joint Permit Application may be required for this type of project. I would not expect this cooperative attitude to change in the future.

We share your concern for the possible cross contamination of the various aquifers as the core holes are constructed. I would suggest that Canyon Fuels consider employing a licensed water well contractor for this job so that these concerns will be adequately addressed during the construction and abandonment of each of the holes. We will also require Canyon Fuels to file a Monitor Well Request with us for the holes that will remain open for monitoring purposes. They have also been good in the past to follow state stature in this regard.

Again, I appreciate the opportunity to respond to this project. If I can provide any further information or clarification, please feel free to contact me at your convenience.

Sincerely,

Mark P. Page
Regional Engineer

pc: Mark Bunnell - Canyon Fuels Company

MPP/mjk